



Billing Code: 3410-05-P

DEPARTMENT OF AGRICULTURE

Commodity Credit Corporation

7 CFR Chapter XIV

Continuation of Certain Benefit and Loan Programs, Acreage Reporting, Average Adjusted Gross Income, and Payment Limit

AGENCY: Commodity Credit Corporation and Farm Service Agency, USDA.

ACTION: Extension of authorization.

SUMMARY: The Agricultural Act of 2014 (referred to as the 2014 Farm Bill) extends the authorization, with some changes, of many Farm Service Agency (FSA) programs and Commodity Credit Corporation (CCC) programs administered by FSA. This document announces to producers the continuation of the following programs and notes specific changes as mandated by the 2014 Farm Bill: the 2014 crop Marketing Assistance Loans (MAL), Loan Deficiency Payments (LDP), Noninsured Crop Disaster Assistance Program (NAP), Sugar Program, Milk Income Loss Contract Program (MILC), and Dairy Indemnity Payment Program (DIPP). The 2014 Farm Bill also continues, with modifications, the Adjusted Gross Income (AGI) eligibility provisions and payment limits that apply to many FSA and CCC programs. As specified in the 2014 Farm Bill, producers must submit annual acreage reports of all cropland on a farm to qualify for MAL and LDP benefits, and most commodity programs. All of the programs listed above will be continued under existing regulations, except as specified in this document. This document will be followed by amendments to the applicable regulations to implement changes required by the 2014 Farm Bill.

DATES: *Effective Date:* **[Insert date of publication in the FEDERAL REGISTER].**

FOR FURTHER INFORMATION CONTACT: Dan McGlynn; telephone: (202) 720-7641. Persons with disabilities who require alternative means for communication (Braille, large print, audiotape, etc.) should contact the USDA Target Center at (202) 720-2600 (voice and TDD).

SUPPLEMENTARY INFORMATION:

Overview

The 2014 Farm Bill (Pub. L. 113-79) authorizes the continuation of certain CCC and FSA programs, including, but not limited to, MAL, LDP, NAP, Sugar Program loans, MILC, and DIPP.

As specified in this document, CCC will implement administration of 2014 crop MAL, LDPs, and sugar loans as specified in the current regulations, subject to changes made by the 2014 Farm Bill. Applicable 2014 crop loan rates, schedules of premiums and discounts, and other related rates will be announced later.

The 2014 Farm Bill requires producers to submit annual acreage reports of all cropland on a farm to qualify for all programs in Title I, subtitles A and B, which includes MAL, LDP, and the new Agriculture Risk Coverage Program, Price Loss Coverage Program, and the Transition Assistance Program for Producers of Upland Cotton. Regulations will be published at a later date for these three new programs as required by the 2014 Farm Bill.

NAP service fees will remain unchanged, although more producers will be eligible for fee waivers and more crops will be eligible with the 2014 Farm Bill changes as specified in the NAP section below.

MILC will continue through the earlier of September 1, 2014, or the date when the new Dairy Margin Protection program specified in section 1403 of the 2014 Farm Bill is implemented. There are minor changes to MILC for the remaining months of FY 2014, as specified in this document.

The 2014 Farm Bill contains no changes to DIPP, which will continue through September 30, 2018.

FSA must update regulations, software, forms, and handbooks to implement the 2014 Farm Bill. FSA is updating program Fact Sheets and will conduct extensive outreach to ensure that producers are aware of sign-up periods and application requirements. Details for the implementation of each program will be announced in separate press releases. The reauthorized programs will be implemented as soon as possible, so that producers can plan for the 2014 growing and harvest seasons.

MAL, LDP

The 2014 Farm Bill extended the MAL and LDP Programs for all previously authorized commodities for the 2014 through 2018 crops. These programs will continue as specified in the regulations in 7 CFR parts 1421, 1425, 1427, and 1434, with the mandatory changes from the 2014 Farm Bill as described below.

The MAL Program provides short-term financing, which allows farmers to pay their bills soon after harvest and sell their crop at a time that is convenient for them, facilitating orderly marketing throughout the rest of the year. MAL repayment provisions specify, under certain circumstances, that producers may repay at less than the loan rate

plus accrued interest and other charges. When the allowed repayment is less than the loan rate, the difference is referred to as marketing loan gain.

LDPs are direct payments to producers on harvested commodities that provide income support when the market price falls below loan rates as specified in the 2014 Farm Bill. Current regulations for MAL and LDP apply through the 2013 crop year.

With the pending harvest of 2014 crop loan commodities, this document announces that CCC will implement MAL and LDP provisions for 2014 crop wheat, corn, grain sorghum, barley, oats, soybeans, rice, peanuts, cotton, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, graded and non-graded wool, mohair, honey, dry peas, lentils, large chickpeas, and small chickpeas based on current commodity loan regulations in:

- 7 CFR Part 1421, “Grains and Similarly Handled Commodities – Marketing Assistance Loans and Loan Deficiency Payments for 2008 through 2012;”
- 7 CFR Part 1425, “Cooperative Marketing Associations;”
- 7 CFR Part 1427, “Cotton;” and
- 7 CFR Part 1434, “Nonrecourse Marketing Assistance Loan and LDP Regulations for Honey.”

The loan rate for base quality upland cotton is the simple average of the adjusted prevailing world price for the 2 immediately preceding marketing years, but not more than 52 cents per pound or less than 45 cents per pound. The 2014 loan rate, announced February 18, 2014, at 52 cents per pound, is below the 72-cent simple average of the world price for the 2 immediately preceding marketing years. Therefore, the 2014 Farm

Bill change, which is designed to make the loan rate more reflective of prevailing market prices, serves to limit the impact of elevated market prices on the loan rate, while allowing any price declines below 52 cents to be reflected in lower future loan rates.

The applicable regulations will be amended at a later date through rulemaking to reflect the changes required by the 2014 Farm Bill. In addition, CCC will announce by press release and other means the applicable 2014 crop loan rates established by the 2014 Farm Bill, the schedule of premiums and discounts, and other related information.

NAP

NAP provides limited “catastrophic” level coverage for crops for which crop insurance is not available through the Risk Management Agency (RMA), USDA. Qualifying losses for NAP must be due to drought, flood, or other natural disaster, as determined by the Secretary. The 2014 Farm Bill continues the provisions for NAP coverage at the catastrophic level. In addition, NAP has been expanded to include buy-up protection, similar to buy-up provisions offered under the federal crop insurance program. Service fees are currently waived for limited resource farmers. Beginning with the 2014 crops, the 2014 Farm Bill extends the service fee waiver to beginning farmers and socially disadvantaged farmers. We will refund the administrative service fee for beginning farmers and socially disadvantaged farmers who have already paid the fee for 2014 coverage prior to enactment of the 2014 Farm Bill. Eligible NAP crops currently include commercial crops: crops expressly grown for food (excluding livestock and their by-products); crops planted and grown for livestock consumption; crops grown for fiber (excluding trees grown for wood, paper, or pulp products); aquaculture species crops

(including ornamental fish); floriculture; ornamental nursery; Christmas tree crops; turf grass sod; industrial crops; seed crops; and sea grass and sea oats. Beginning with 2015 crops, the 2014 Farm Bill adds sweet sorghum, biomass sorghum, and industrial crops (including those grown expressly for the purpose of producing a feedstock for renewable biofuel, renewable electricity, or biobased products) as eligible crops. The NAP regulation, 7 CFR part 1437, will be amended at a later date through rulemaking to reflect the changes required by the 2014 Farm Bill.

Sugar Program

The Sugar Program provides loans to eligible sugar processors, using domestically grown sugar beets and sugarcane that is in the refined, raw, or in-processed state as collateral for the loan. These loans can be repaid at principal plus interest during the loan term or the sugar can be forfeited to CCC, at loan maturity, in satisfaction of loan debt. Processors may begin applying for 2014 crop sugar loans on October 1, 2014. Sugar loans will continue under the current regulations found in 7 CFR Part 1435, Sugar Program.

The Sugar Program regulation, 7 CFR part 1435, will be amended at a later date through rulemaking to reflect the extension of the program through the 2018 crop, as authorized by the 2014 Farm Bill. The 2014 Farm Bill changes only the authorized dates for the Sugar Program; it does not change any other provisions of the Sugar Program.

CCC will also announce by press release and other means the 2014 crop sugar loan rates, the schedule of premiums and discounts, and other related information.

MILC

The 2014 Farm Bill extends MILC with minor modifications through the earlier of September 1, 2014, or the date on which the new Dairy Margin Protection Program is implemented. The new Dairy Margin Protection Program will be implemented at a later date through regulations as required by the 2014 Farm Bill. MILC compensates enrolled dairy producers when the Boston Class I milk price falls below \$16.94 per hundredweight (cwt), as adjusted for the National Average Dairy Feed Ration Cost specified in the 2014 Farm Bill. All MILC contracts are automatically extended to the earlier of September 1, 2014, or the date on which the Dairy Margin Protection program is implemented. Producers therefore do not need to re-enroll in MILC to receive FY 2014 benefits. The production start month previously selected by an operation is applicable for FY 2014, unless a producer requests a change.

Producers may select any month in FY 2014 prior to the termination date for MILC as specified in the 2014 Farm Bill to begin receiving payments. During the period (referred to as the “relief period”) beginning April 14, 2014, through the close of business on May 30, 2014, producers with existing MILC contracts may select a different production start month for FY 2014 by completing and submitting form CCC-580M “Milk Income Loss Contract Extension (MILC) Modification” to FSA. For producers with new dairy operations that began operation before April 14, 2014, FSA will accept applications (form CCC-580 “Milk Income Loss Contract (MILC)”) during the relief period. Regular start month selection provisions specified in 7 CFR 1430.205, “Selection of Starting Month,” will not apply during the relief period. After the relief period ends, beginning June 2, 2014, all production start month changes for new and existing MILC

participants must be made according to regular start month selection provisions as specified in 7 CFR 1430.205.

September 2013 was the last eligible month for MILC payments under the Food, Conservation, and Energy Act of 2008 (the 2008 Farm Bill, Pub. L. 110-246) as extended by the American Taxpayer Relief Act of 2012 (Pub. L. 112-240). The payment rate determined for October through December 2013 and January 2014, the first four months of FY 2014, is zero. Payments for subsequent months of FY 2014 will be determined as data becomes available.

The payment rate for MILC is adjusted upward when the National Average Dairy Feed Ration Cost exceeds certain levels. Beginning February 1, 2014, and ending on the termination date for MILC, if the National Average Dairy Feed Ration Cost for a month is greater than \$7.35 per hundredweight, the payment rate for that month will be increased by 45 percent of the percentage by which the National Average Dairy Feed Ration Cost exceeds \$7.35 per hundredweight.

DIPP

The 2014 Farm Bill extended DIPP through September 30, 2018 with no changes. Through DIPP, FSA issues payments to dairy producers for losses incurred because they were required to remove their milk production from commercial markets due to the presence of certain chemical or toxic residues.

Acreage Reporting

As a condition of eligibility for all commodity program and marketing loan program benefits specified in Subtitle A and Subtitle B of Title I of the 2014 Farm Bill, producers on farms must annually submit acreage reports of all cropland on the farm. The report of acreage must include the producer or producers' shares and comply with the existing regulations specified in 7 CFR part 718.

Payment Eligibility and Payment Limit Requirements

The 2014 Farm Bill modifies the payment limit and adjusted gross income (AGI) eligibility provisions, which are currently specified in 7 CFR Part 1400. Beginning with the 2014 crop year, the total amount of payments received, directly and indirectly, by a person or legal entity (except joint ventures or general partnerships) for Price Loss Coverage, Agricultural Risk Coverage, marketing loan gains, and loan deficiency payments (other than for peanuts), is limited to no more than \$125,000 annually. A person or legal entity that receives, directly or indirectly, payments for peanuts has a separate \$125,000 payment limit for those payments. The NAP payment limit also increases to \$125,000 per year. The combined payment limit for three of the four disaster programs (Livestock Indemnity Program, Livestock Forage Disaster Program, and Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish) is also increased to \$125,000; a separate \$125,000 limit applies to the Tree Assistance Program.

The 2014 Farm Bill simplifies and modifies the average AGI eligibility provisions. Producers whose total (farm plus nonfarm) average AGI for the 3 tax years preceding the most recent complete tax year exceeds \$900,000 are not eligible to receive

benefits from most programs administered by FSA and the Natural Resources Conservation Service (NRCS). Previous average AGI provisions specified in the 2008 Farm Bill had different eligibility limits for certain programs based on average farm AGI and, for some programs, on average nonfarm AGI.

The AGI and payment limit eligibility restrictions from the 2014 Farm Bill apply to the 2014 crop, fiscal, or program year for payment limits which encompass the 2010, 2011, and 2012 tax years for purposes of calculating the average AGI, and will be implemented immediately. The regulations in 7 CFR part 1400 will be amended at a later date through rulemaking to reflect the changes required by the 2014 Farm Bill.

Environmental Review

FSA has determined that, in accordance with the 7 CFR 799.9(d), Environmental Quality and Related Environmental Concerns – Compliance with the National Environmental Policy Act, implementing the regulations of the Council on Environmental Quality (40 CFR parts 1500-1508), continuation of these programs as mandated by the 2014 Farm Bill, will not significantly affect the quality of the human environment. Therefore, no environmental assessment or environmental impact statement will be prepared.

Signed at Washington, DC, on March 25, 2014.

Juan M. Garcia,
Executive Vice President,
Commodity Credit Corporation and
Administrator,
Farm Service Agency.

